

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Stambaugh Cemetery Association	County Iron
Fiscal Year End 12/31/05	Opinion Date 05/11/06	Date Audit Report Submitted to State 06/19/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

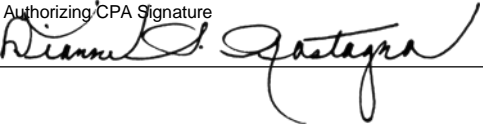
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	There are no issues to be reported.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
		Zip 49935	
Authorizing CPA Signature 		Printed Name Dianne S. Rostagno, CPA	
		License Number A245771	

**STAMBAUGH CEMETERY ASSOCIATION**

**Financial Report  
With Supplemental Information  
Prepared in Accordance with GASB 34**

**DECEMBER 31, 2005**

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## **INDEPENDENT AUDITOR'S REPORT**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Honorable Members of the  
Board of Control  
**Stambaugh Cemetery Association**  
Gaastra, Michigan 49927

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the business-type activities and each major fund of the **Stambaugh Cemetery Association**, as of and for the year ended December 31, 2005, which collectively comprise the Association's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities and each major fund of the **Stambaugh Cemetery Association** at December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2006 on our consideration of the **Stambaugh Cemetery Association's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 7 thru 11 is not a required part of the basic financial statements but is supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Stambaugh Cemetery Association's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 11, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **Stambaugh Cemetery Association**

P.O. Box 218  
Gaastra, Michigan 49927  
Phone: 906/265-3146

The management of the Stambaugh Cemetery Association provides this narrative overview and analysis of the financial activities of the Stambaugh Cemetery Association for the year ended December 31, 2005. As readers, you are encouraged to read this discussion and analysis in conjunction with the Association's financial statement information included in this report.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. The financial section of this report includes management's discussion and analysis and the basic financial statements. Required supplementary information consisting of budgetary comparisons of governmental funds is not applicable. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Association's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements reflect the Association's functions in the Enterprise Fund, which is the only fund of the Stambaugh Cemetery Association. This means that the revenues are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). There are no governmental activities.

### **Fund Financial Statements**

The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. The only fund of the Association is the Cemetery Fund, which is a proprietary fund.



# Stambaugh Cemetery Association

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## Proprietary Funds

Proprietary Funds provide services for which the Association charges customers a fee. The Association has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Association is used to report the same functions as the business-type activities in the government-wide financial statements. The Cemetery Fund is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

## Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

## Supplementary Information

Required supplementary information generally follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the entity's major special revenue funds as presented in the governmental fund financial statements. Since there are no governmental funds, this section has been omitted.

## Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Association, assets exceeded liabilities by \$91,498 at December 31.

By far, the largest portion of the Association's net assets (approximately 95%) is held in the form of cash and cash equivalents. A very small percentage (approximately 4%) of the total net assets are in the form of capital assets. These capital assets are used to provide services to citizens and are not available for future spending. It should also be noted that these assets are free of related debt. At December 31, 2005, the Association reported \$3,824 in net capital assets.

External restrictions of the Association's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$43,146 may be used to meet the Association's ongoing obligations to citizens and creditors.

# Stambaugh Cemetery Association

P.O. Box 218  
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## Government-wide Financial Analysis (Continued)

The following is a comparative summary of net assets at fiscal year end:

	<b><u>Primary Business-type</u></b>	<b><u>Government Activities</u></b>
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b><u>Assets</u></b>		
Current and other assets	\$87674	\$80510
Capital assets, net	<u>3824</u>	<u>4123</u>
<b>Total Assets</b>	<b>\$91498</b>	<b>\$84633</b>
<b><u>Liabilities</u></b>		
Long-term liabilities	0	0
Other liabilities	<u>0</u>	<u>748</u>
<b>Total Liabilities</b>	<b>0</b>	<b>748</b>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	3824	4123
Reserved for perpetual care	44528	43320
Unreserved, undesignated	<u>43146</u>	<u>36442</u>
<b>Total Net Assets</b>	<b>\$91498</b>	<b>\$83885</b>

# Stambaugh Cemetery Association

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The following represents the comparative changes in net assets for business-type activities for the years ended December 31, 2005 and December 31, 2004:

	Primary Business-type	Government Activities
	<u>2005</u>	<u>2004</u>
<b><u>REVENUES</u></b>		
<u>Program Revenues</u>		
Charges for services	\$53755	\$56998
Capital grants	0	0
Interest and investment earnings	<u>1616</u>	<u>1240</u>
<b>Total Revenue</b>	<b>\$55371</b>	<b>\$58238</b>
<b><u>EXPENSES</u></b>		
Administration	2269	2373
Cemetery services	45190	40630
Depreciation	<u>299</u>	<u>698</u>
Total Business-Type Expenses	47758	43701
Increase (Decrease) in Net Assets	7613	14537
Net Assets-Beginning of Year	83885	69348
<b>Net Assets-End of Year</b>	<b><u>\$91498</u></b>	<b><u>\$83885</u></b>

## **Business-type Activities**

Business-type activities increased the Association's net assets by \$7,613. Charges for services for the Cemetery activities for the year ended were \$53,755 for 2005, compared to \$56,998 for 2004.

Total expenses for the Cemetery activities for the year ended were \$47,758 in 2005, compared to \$43,701 for 2004.

## **Proprietary Funds**

The Association's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Cemetery Fund at year-end were \$91,498 and \$83,885 for 2005 and 2004, respectively. The change in net assets was a gain of \$7,613 for 2005 and \$14,537 for 2004.

# **Stambaugh Cemetery Association**

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## **Capital Assets and Debt Administration**

The Association's investment in capital assets, net of accumulated depreciation, for its business-type activities as of December 31 is \$3,824, a decrease from \$4,123 reported in 2004. The investment in capital assets includes machinery and equipment, a licensed vehicle, and computer equipment. There are no infrastructure assets.

There were no major capital events during the fiscal year ended December 31, 2005.

The Association has no long-term debt at December 31, 2005.

## **Other Economic Factors**

The Association has no significant plans or major priorities for 2006.

## **Requests for Information**

This financial report is designed to provide a general overview of the Association's finances for all those with an interest in the Association's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Stambaugh Cemetery Association  
P.O. Box 218  
Gaastra, Michigan 49927

## **BASIC FINANCIAL STATEMENTS**

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
---------------------------------------

**STATEMENT OF NET ASSETS**

*DECEMBER 31, 2005*

<u><b>ASSETS</b></u>	<u><b>BUSINESS-TYPE ACTIVITIES</b></u>
<u><b>Current Assets</b></u>	
Cash and Cash Equivalents (Note B)	\$ 86,374
Accounts Receivable	<u>1,300</u>
<b>Total Current Assets</b>	<b>87,674</b>
 <u><b>Noncurrent Assets</b></u>	
Capital Assets, Net (Note F)	<u>3,824</u>
<b>Total Noncurrent Assets</b>	<b>3,824</b>
<b>TOTAL ASSETS</b>	<b>91,498</b>
 <u><b>LIABILITIES</b></u>	
<u><b>Current Liabilities</b></u>	
Accrued Payroll Taxes	<u>-</u>
<b>Total Current Liabilities</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>
 <u><b>NET ASSETS</b></u>	
Invested in Capital Assets, Net of Related Debt	3,824
Reserved for Perpetual Care	44,528
Unrestricted	<u>43,146</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 91,498</b>

The notes to the financial statements are an integral part of this report.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
---------------------------------------

**STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2005*

		<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
<b><u>FUNCTIONS/PROGRAMS</u></b>				
Business-type Activities				
Cemetery				
Administration	\$ 2,269	\$ -	\$ -	\$ (2,269)
Cemetery Services	45,190	53,755	-	8,565
Depreciation (Unallocated)	<u>299</u>	<u>-</u>	<u>-</u>	<u>(299)</u>
<b>Total Business-type Activities</b>	47,758	53,755	-	5,997
 <b><u>General Revenues:</u></b>				
Interest and Investment Earnings				<u>1,616</u>
<b>Total General Revenues</b>				1,616
 <b>CHANGE IN NET ASSETS</b>				 7,613
<b>NET ASSETS - BEGINNING OF YEAR</b>				<u>83,885</u>
<b>NET ASSETS - END OF YEAR</b>				<u><u>\$ 91,498</u></u>

The notes to the financial statements are an integral part of this report.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
---------------------------------------

**STATEMENT OF FUND NET ASSETS-ENTERPRISE FUND**

*DECEMBER 31, 2005*

	<u><b>CEMETERY FUND</b></u>
<b><u>ASSETS</u></b>	
<b><u>Current Assets</u></b>	
Cash, Unrestricted	\$ 86,374
Accounts Receivable, Net	<u>1,300</u>
<b>TOTAL CURRENT ASSETS</b>	<b>87,674</b>
<b><u>Noncurrent Assets</u></b>	
Capital Assets :	
Equipment	65,999
Less allowance for depreciation	<u>(62,175)</u>
<b>Total Noncurrent Assets</b>	<b>3,824</b>
<b>TOTAL ASSETS</b>	<b>91,498</b>
 <b><u>LIABILITIES</u></b>	
<b><u>Current Liabilities</u></b>	
Accrued Payroll Taxes	<u>0</u>
<b>Total Current Liabilities</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>0</b>
 <b><u>NET ASSETS</u></b>	
Reserved for Perpetual Care	44,528
Unreserved, Undesignated	<u>46,970</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 91,498</u></b>

The notes to the financial statements are an integral part of this report.



<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS**

*YEAR ENDED DECEMBER 31, 2005*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 53,355
Other operating revenues	-
Cash payments to employees for services	(33,805)
Cash payments for goods and services	(14,402)
Other operating expenses	-
	-

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>5,148</b>
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**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	-
Net operating transfers in (out)	-
	-

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>-</b>
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**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	-
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowing	-
Contributed capital grants	-
	-

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>
--	----------

**INVESTING ACTIVITIES**

(Increase) decrease in investments	-
Interest Income	1,616
	1,616

<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>1,616</b>
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<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,764</b>
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Cash and Cash Equivalents, Beginning of Year	79,610
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Cash and Cash Equivalents, End of Year	<u><u>\$ 86,374</u></u>
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The notes to the financial statements are an integral part of this report.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**STATEMENT OF CASH FLOWS - ENTERPRISE FUND  
(CONTINUED)**

*YEAR ENDED DECEMBER 31, 2005*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 5,997
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation and amortization	299
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(400)
Increase (Decrease) in accounts payable	-
Increase (Decrease) in accrued expenses	(748)
Increase (Decrease) in customer deposits	-
	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u><u>\$ 5,148</u></u></b>

The notes to the financial statements are an integral part of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by the **Stambaugh Cemetery Association**, Gaastra, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

**THE FINANCIAL REPORTING ENTITY**

The **Stambaugh Cemetery Association** was established by the Cities of Caspian, Gaastra, and Stambaugh and the Township of Stambaugh on February 17, 1975. The term of duration was designated to be thirty (30) years.

The purpose of the Association is to acquire, own, improve, enlarge, extend, and operate a cemetery system for residents of the Constituent Municipalities.

The Association operates under a Board of Directors, consisting of two (2) persons appointed by each of the Constituent Municipalities' Controlling Boards.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

The City of Stambaugh terminated its participation in the Stambaugh Cemetery Association effective June 30, 2000 in conjunction with the consolidation of three municipalities - the Cities of Iron River and Stambaugh and the Village of Mineral Hills. The Association continues to serve the cities of Caspian and Gaastra, and the Township of Stambaugh.

**BLENDED COMPONENT UNITS**

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BLENDED COMPONENT UNITS (Continued)**

This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units reported for the **Stambaugh Cemetery Association.**

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**JOINT VENTURES**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**JOINTLY GOVERNED ORGANIZATIONS**

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

**RELATED ORGANIZATIONS**

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.



<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**RELATED ORGANIZATIONS (Continued)**

There are no related organizations to be reported.

**BASIS OF PRESENTATION**

The Association follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

***Management's Discussion and Analysis***

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

***Government-wide financial statements***

These include financial statements prepared using full accrual accounting for all of the government's activities.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Government-wide financial statements (Continued)***

This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

***Statement of Net Assets***

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
---------------------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Statement of Net Assets (Continued)***

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) reserved; and 3) unreserved.

***Statement of Program Activities***

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the Association as a whole) and fund financial statements. The reporting model focus is on both the Association as a whole and the fund financial statement (business-type categories).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as business type only. In the government-wide Statement of Net Assets, the business-type activities column (a) is presented, and (b) is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

Both government-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information.

The Association generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Association may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (administration, cemetery services, etc.) that are otherwise being supported by general government revenues (Interest and Investment earnings).

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function relating to the business-type activity. Program revenues include Cemetery assessments to participating municipalities and sale of lots, etc. Other items not properly included among program revenues are reported as general revenues. The Association does not allocate indirect expenses. When applicable, operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

In the fund financial statements, financial transactions and accounts of the Association are organized on the basis of funds.

The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**PROPRIETARY FUNDS**

***Enterprise Funds***

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

For reporting purposes, the Cemetery Fund is the major fund.



<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide statement of net assets, statement of activities, and the proprietary funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statement of the Proprietary Fund are presented on the accrual basis of accounting.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**ENCUMBRANCES**

It is the Association's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

**CASH AND CASH EQUIVALENTS**

The Association pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Association classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**INVENTORIES**

Inventories of supplies are expended as received.

**RECEIVABLES**

User charges for the Proprietary Fund are recorded as receivable when billed. All receivables are reported at their gross value.

**INTEREST RECEIVABLE**

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

**DEFERRED REVENUE**

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**RETAINED EARNINGS**

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Association for future expenditures.

\$44,528 is reserved for perpetual care of the Cemetery. The interest from these funds can be used for general operations. \$46,970 is unreserved and available for the general operation of the Cemetery.

**NON-MONETARY TRANSACTIONS**

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS**

To the extent the Association's capitalization threshold of \$500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

**Land Improvements..... 20 years**

**Equipment..... 5 - 20 years**

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS (Continued)**

Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**POST EMPLOYMENT BENEFITS**

The **Stambaugh Cemetery Association** offers no post-employment benefits.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - CASH, DEPOSITS, AND INVESTMENTS**

**PRIMARY GOVERNMENT**

On December 31, 2005 the carrying value of the Association's deposits (Primary Government) was \$ 86,374 and is comprised of cash and deposits reflected in the following funds:



<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT (Continued)**

<b><u>Primary Government</u></b>	
Proprietary Government	\$ <u>86374</u>
<b><i>Total Primary Government</i></b>	<b>\$ 86374</b>

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**Category 1**

Deposits which are insured or collateralized with securities held by the Association or its agent in the Association's name.

**Category 2**

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Association's name.

**Category 3**

Deposits which are not collateralized or insured.

Based on these levels of risk, the Association's cash deposits (Primary Government) are classified as follows:

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**SCHEDULE OF CASH AND DEPOSITS**

**PRIMARY GOVERNMENT**

	<b><u>Category</u></b> <b><u>1</u></b>	<b><u>Category</u></b> <b><u>2</u></b>	<b><u>Category</u></b> <b><u>3</u></b>	<b><u>Total</u></b>
Cash and Deposits	\$ 86374	\$ -0-	\$ -0-	\$ 86374

**INVESTMENTS**

The Association's investments are categorized below to give an indication of the level of risk assumed at year-end.

**Category 1** includes investments that are insured or registered or for which the securities are held by the Association or its agent in the Association's name.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (Continued)**

**Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Association's name.

**Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Association's name.

The Association has no investments, as reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<b>Total Investments</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY**

Act 196, PA 1997, authorizes the Association to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE C – CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY (Continued)**

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptance of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY (Continued)**

The Association has adopted an investment policy, allowing for all types of deposits and investments listed above. The Association's deposits and investments are in compliance with its investment policy.

**NOTE C - PENSION PLAN**

There is no pension plan for the **Stambaugh Cemetery Association**.

**NOTE D - ACCUMULATED FUND DEFICITS**

At December 31, 2005, the Association had no retained earnings deficits.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE E - RISK MANAGEMENT**

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association.

**NOTE F - CAPITAL ASSETS**

**BUSINESS-TYPE ACTIVITIES**

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2005:



<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE F - CAPITAL ASSETS (CONTINUED)**

<u>BUSINESS-TYPE ACTIVITIES</u>	Balance Dec. 31, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance Dec. 31, <u>2005</u>
<u>Capital Assets Not Being Depreciated</u>				
Land, Easements, and Right of Way	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Other Capital Assets</u>				
Machinery and Equipment	<u>65999</u>	<u>0</u>	<u>0</u>	<u>65999</u>
<b>Total Other Cap. Assets</b>	<b>\$ 65999</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 65999</b>
<u>Less Accumulated Depreciation for:</u>				
Machinery and Equipment	<u>(61876)</u>	<u>(298)</u>	<u>0</u>	<u>(62174)</u>
<b>Total Accum. Depreciation</b>	<b>(61876)</b>	<b>(298)</b>	<b>0</b>	<b>(62174)</b>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ <u>4123</u></b>	<b>\$ <u>(298)</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>3825</u></b>

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE G - LONG-TERM DEBT**

There is no long-term debt for the **Stambaugh Cemetery Association**.

**NOTE H - SEGMENT INFORMATION**

Operating Revenue	\$ 58755
Depreciation and Amortization Expense	298
Operating Income or (Loss)	5998
Operating Grants, Entitlements, and Shared Revenues	0
Operating Transfers In	0
(Out)	0
Tax Revenues	0
Net Income or Loss	7613
Current Capital: Contributions	0
Transfers	0

(Continued on page 50)

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE H - SEGMENT INFORMATION (CONTINUED)**

(Continued from previous page)

Property, Plant, and Equipment		
Additions	\$	0
Deletions		0
Net Working Capital		87674
Total Assets		91498
Bonds and Other Long Term		
Liabilities		
Payable from operating		
Revenues		0
Payable from Other Sources		0
Total Equity	\$	91498

**NOTE I - RELATED PARTY TRANSACTIONS**

*Related parties* exist when there is a relationship that offers potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE I - RELATED PARTY TRANSACTIONS (CONTINUED)**

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there are no related party transactions reported in the financial statements.

**NOTE J - SUBSEQUENT EVENTS**

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*DECEMBER 31, 2005*

**NOTE J - SUBSEQUENT EVENTS (CONTINUED)**

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At year ended December 31, 2005 there were no subsequent events that would have a significant affect on the Association's operations.

**NOTE K - COMMITMENTS AND CONTINGENCIES**

There are no commitments or contingencies, the reporting of which would have a material effect on the financial position of the **Stambaugh Cemetery Association**.

## **OTHER SUPPLEMENTAL INFORMATION**

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**COMPARATIVE BALANCE SHEET – CEMETERY FUND**

*DECEMBER 31, 2005*  
*(With Comparable Totals for 2004)*

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Deposits	\$ 86,374	\$ 79,610
Accounts Receivable	<u>1,300</u>	<u>900</u>
<b>TOTAL CURRENT ASSETS</b>	<b>87,674</b>	<b>80,510</b>
<b>FIXED ASSETS</b>		
Building and Equipment	65,999	65,999
Less Accumulated Depreciation	<u>(62,175)</u>	<u>(61,876)</u>
<b>TOTAL FIXED ASSETS</b>	<b>3,824</b>	<b>4,123</b>
<b>TOTAL ASSETS</b>	<b><u>\$ 91,498</u></b>	<b><u>\$ 84,633</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accrued Taxes	<u>-</u>	<u>748</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>-</b>	<b>748</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>748</b>
<b><u>FUND EQUITY</u></b>		
Retained Earnings		
Appropriated	44,528	43,320
Unappropriated	<u>46,970</u>	<u>40,565</u>
<b>TOTAL FUND EQUITY</b>	<b><u>91,498</u></b>	<b><u>83,885</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 91,498</u></b>	<b><u>\$ 84,633</u></b>

The notes to the financial statements are an integral part of this report.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS-  
CEMETERY FUND**

*YEAR ENDED DECEMBER 31, 2005  
(With Comparable Totals for 2004)*

	<u>2005</u>	<u>2004</u>
<b><u>REVENUES</u></b>		
Assessments To Municipal Units	\$ 20,672	\$ 20,672
Opening of Graves	25,920	26,540
Sale of Lots	5,880	7,960
Miscellaneous Income	183	526
Perpetual Care	<u>1,100</u>	<u>1,300</u>
<b>TOTAL REVENUES</b>	<b>\$ 53,755</b>	<b>\$ 56,998</b>
<b><u>EXPENSES</u></b>		
Salaries and Wages	28,163	25,062
Fringe Benefits	4,893	5,490
Insurance	4,903	3,873
Board Meetings	420	420
Materials and Supplies	712	1,043
Gas, Oil, Grease	1,323	1,002
Equipment Maintenance and Repair	1,140	1,740
Building Maintenance	821	24
Telephone/Utilities	1,841	1,851
Legal and Audit	1,849	1,953
Contract Services	-	245
Miscellaneous	444	300
Refunds and Rebates	950	-
Depreciation	<u>299</u>	<u>698</u>
<b>TOTAL EXPENSES</b>	<b>\$ 47,758</b>	<b>\$ 43,701</b>
Operating Income (Loss)	5,997	13,297
<b><u>NON - OPERATING INCOME</u></b>		
Interest Revenue	<u>1,616</u>	<u>1,240</u>
<b>NET INCOME (LOSS)</b>	<b>7,613</b>	<b>14,537</b>
RETAINED EARNINGS, JANUARY 1	83,885	69,348
<b>RETAINED EARNINGS, DECEMBER 31</b>	<b><u>\$ 91,498</u></b>	<b><u>\$ 83,885</u></b>

The notes to the financial statements are an integral part of this report.



<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**STATEMENT OF CASH FLOWS - CEMETERY FUND**

*YEAR ENDED DECEMBER 31, 2005*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 53,355
Other operating revenues	-
Cash payments to employees for services	(33,805)
Cash payments for goods and services	(14,402)
Other operating expenses	-
	-

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>5,148</b>
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**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	-
Net operating transfers in (out)	-
	-

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>-</b>
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**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	-
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowing	-
Contributed capital grants	-
	-

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>
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**INVESTING ACTIVITIES**

(Increase) decrease in investments	-
Interest Income	1,616
	1,616

<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>1,616</b>
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<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,764</b>
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Cash and Cash Equivalents, Beginning of Year	79,610
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Cash and Cash Equivalents, End of Year	<b>\$ 86,374</b>
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The notes to the financial statements are an integral part of this report.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**STATEMENT OF CASH FLOWS  
CEMETERY FUND  
(CONTINUED)**

*YEAR ENDED DECEMBER 31, 2005*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 5,997
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation and amortization	299
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(400)
Increase (Decrease) in accounts payable	-
Increase (Decrease) in accrued expenses	(748)
Increase (Decrease) in customer deposits	-
	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u><u>\$ 5,148</u></u></b>

The notes to the financial statements are an integral part of this report.

<b>STAMBAUGH CEMETERY ASSOCIATION</b>
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**STATEMENT OF EXPENSES-CEMETERY FUND**

*YEAR ENDED DECEMBER 31, 2005*

(With Comparable Totals for 2004)

	<u>2005</u>	<u>2004</u>
<b><u>LEGISLATIVE</u></b>		
Board Meetings	\$ 420	\$ 420
Legal	-	79
Audit	<u>1,849</u>	<u>1,874</u>
<b>TOTAL LEGISLATIVE</b>	<b>2,269</b>	<b>2,373</b>
<b><u>FINANCIAL ADMINISTRATION</u></b>		
Salaries and Wages	3,600	3,600
Fringe Benefits	405	788
Insurance	3,342	3,294
Supplies	105	255
Printing and Publications	<u>371</u>	<u>30</u>
<b>TOTAL FINANCIAL ADMINISTRATION</b>	<b>7,823</b>	<b>7,967</b>
<b><u>GROUNDS MAINTENANCE</u></b>		
Wages	24,563	21,462
Fringe Benefits	4,488	4,702
Insurance	1,184	431
Supplies	567	640
Gas and Oil	1,323	1,002
Equipment Maintenance and Repair	1,140	1,740
Contract Services	<u>-</u>	<u>245</u>
<b>TOTAL GROUNDS MAINTENANCE</b>	<b>33,265</b>	<b>30,222</b>
<b><u>CEMETERY GARAGE</u></b>		
Insurance	377	148
Supplies	40	118
Building Maintenance	821	24
Telephone/Utilities	1,841	1,851
Miscellaneous	<u>73</u>	<u>-</u>
<b>TOTAL CEMETERY GARAGE</b>	<b>3,152</b>	<b>2,141</b>
<b><u>OTHER EXPENSES</u></b>		
Other Costs	950	300
Depreciation	<u>299</u>	<u>698</u>
<b>TOTAL OTHER EXPENSES</b>	<b>1,249</b>	<b>998</b>
<b>TOTAL EXPENSES</b>	<b><u>\$ 47,758</u></b>	<b><u>\$ 43,701</u></b>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Members of the  
Board of Control  
**Stambaugh Cemetery Association**  
Gaastra, Michigan 49927

We have audited the financial statements of the business-type activities and each major fund of the **Stambaugh Cemetery Association**, as of and for the year ended December 31, 2005 which collectively comprise the **Stambaugh Cemetery Association's** basic financial statements, and have issued our report thereon dated May 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting


In planning and performing our audit, we considered the **Stambaugh Cemetery Association's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Stambaugh Cemetery Association's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" and last name "Rostagno" clearly legible.

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 11, 2006